
UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Honorable Madeline Cox Arleo
:
v. : Case No. 11-8072
:
VICTOR E. CILLI : **CRIMINAL COMPLAINT**

I, Derek E. Altieri, being duly sworn, state the following is true and correct to the best of my knowledge and belief. From at least as early as July 2003 through in or about September 2007, in the District of New Jersey and elsewhere, the defendant VICTOR E. CILLI did:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached page and made a part hereof.



Derek E. Altieri, Special Agent
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,
on May 26 2011 at Newark, New Jersey



HONORABLE MADELINE COX ARLEO
UNITED STATES MAGISTRATE JUDGE

ATTACHMENT A

COUNT 1
(Securities Fraud)

From at least as early as January 2007 through in or about September 2007, in the District of New Jersey and elsewhere, defendant VICTOR E. CILLI, by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, knowingly and willfully used manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 (Rule "10b-5") in connection with the purchases and sales of securities by (a) employing devices, schemes, and artifices to defraud members of the investing public; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and a course of business which operated and would operate as a fraud and deceit upon persons, in that he made untrue statements of material fact to investors in his commodity futures fund regarding the value of their investments and the performance of the fund.

In violation of Title 15, United States Code, Sections 78j(b) & 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 2.

COUNT 2
(Conspiracy to Commit Bank Fraud)

From at least as early as July 2003 through in or about September 2006, in the District of New Jersey and elsewhere, defendant VICTOR E. CILLI did knowingly and willfully combine, conspire, confederate and agree with others to execute, and attempt to execute, a scheme and artifice to defraud a financial institution, namely KeyBank, and to obtain money, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial institution, namely KeyBank, by means of materially false and fraudulent pretenses, representations, and promises, contrary to Title 18, United States Code, Section 1344.

Overt Acts

In furtherance of the conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the District of New Jersey and elsewhere:

1. On or about July 23, 2003, based upon a prior agreement between defendant CILLI and Coconspirator #1 ("CC-1") to execute a scheme to defraud KeyBank, CC-1 executed a Master Student Loan Promissory Note (the "Loan Note") with KeyBank, in which CC-1 falsely represented that he would use the proceeds of the approximately \$99,999 loan only for educational expenses at Tab Express International, Inc. ("Tab"), a flight school in Florida, and that he would repay to KeyBank all principal sums and any interest on the loan.

2. On or about September 19, 2006, after the loan had been disbursed by KeyBank to Tab, and despite the fact that, based upon the prior agreement between defendant CILLI and CC-1 that CC-1 would not use the loan proceeds for educational expenses and would not attend Tab, CC-1 executed a Settlement and Release Agreement (the "Agreement") with KeyBank in which he falsely represented that he had enrolled in, but ultimately decided not to attend, Tab, causing KeyBank to forgive CC-1's loan in its entirety while, unbeknownst to KeyBank, approximately \$80,525 of the loan proceeds had previously been deposited into a bank account solely owned and operated by defendant CILLI and the remainder of the loan proceeds were retained by Tab.

3. On or about November 15, 2003, based upon a prior agreement between defendant CILLI and Coconspirator #2 ("CC-2") to execute a scheme to defraud KeyBank, CC-2 executed a Loan Note with KeyBank, in which CC-2 falsely represented that she would use the proceeds of the approximately \$99,999 loan only for educational expenses at Tab and that she would repay to KeyBank all principal sums and any interest on the loan.

4. On or about October 2, 2006, after the loan had been disbursed by KeyBank to Tab, and despite the fact that, based upon the prior agreement between defendant CILLI and CC-2 that CC-2 would not use the loan proceeds for educational expenses and would not attend Tab, CC-2 executed an Agreement with KeyBank in which she falsely represented that she had enrolled in, but ultimately decided not to attend, Tab, causing KeyBank to forgive CC-2's loan in its entirety while, unbeknownst to KeyBank, approximately \$89,990 of the loan proceeds had previously been deposited into bank accounts solely owned and operated by defendant CILLI and the remainder of the loan proceeds were retained by Tab.

In violation of Title 18, United States Code, Section 1349.

ATTACHMENT B

I, Derek E. Altieri, have been a Special Agent of the Federal Bureau of Investigation ("FBI") for approximately eleven years, and I have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained from other sources, including: (a) statements made or reported by various witnesses with knowledge of relevant facts; (b) my review of publicly available information relating to VICTOR E. CILLI, the defendant; (c) documents obtained from various sources; and (d) discussions with other law enforcement officials. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the content of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

BACKGROUND

1. At all times relevant to this Complaint:

(a) A commodity pool operator ("CPO") was a person or entity engaged in a business similar to an investment trust or a syndicate and who solicits or accepts funds, securities, or property for the purpose of trading commodity futures contracts.

(b) A commodity pool was an investment trust, syndicate, or similar form of enterprise operated for the purpose of trading commodity futures or options contracts.

(c) A day trader was a trader who would rapidly buy and sell stocks throughout the day in the hope that the stocks would continue climbing or falling in value for the seconds to minutes the day trader owns the stock, allowing him to lock in quick profits. Day traders usually buy on borrowed money, hoping that they will reap higher profits through leverage, but also running the risk of higher losses.

(d) Progressive Investment Funds LLC ("PIF") was a CPO registered with the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA"). PIF was the CPO and general partner of the commodity pool Progressive Managed Futures Fund LP ("PMFF"). PIF was a Delaware limited liability company formed in August 2006 with its last known business address located in Hackensack, New Jersey.

(e) PMFF was a commodity pool and a Delaware limited partnership.

(f) KeyBank was a publicly traded for-profit company incorporated in Ohio, with its principal place of business in Cleveland, Ohio. KeyBank's chief operations included banking, lending, and personal and commercial financing. KeyBank was a financial institution within the meaning of Title 18, United States Code, Section 20, whose deposits were insured by the Federal Deposit Insurance Corporation ("FDIC").

(g) Tab Express International, Inc. ("Tab") was a private, closely held for-profit company incorporated in Delaware, with its principal place of business in DeLand, Florida. Tab administered and operated a pilot and flight crew training school in Florida.

(h) Defendant CILLI resided in or near Hackensack, New Jersey.

(i) Defendant CILLI was the sole owner and president of PIF. Defendant CILLI also was a day trader.

(j) Defendant CILLI maintained a bank account in the name of Northeast Flight Training, Inc. ("NFT"), which was not a flight training school but was merely the name on an account that defendant CILLI used to perpetuate his frauds and to fund his personal expenditures.

(k) Defendant CILLI maintained a bank account in the name of United Charities of America, Inc. ("UCA"), which was not a charitable organization but was merely the name on an account that defendant CILLI used to perpetuate his frauds and fund his personal expenditures.

SECURITIES FRAUD

Introduction

2. From at least as early as January 2007 through in or about October 2007, defendant CILLI engaged in a Ponzi scheme to defraud at least four commodity pool participants of approximately \$506,000. Specifically, defendant CILLI made false and misleading statements to the pool participants claiming that he had made money for them when, in fact, most of defendant CILLI's trading resulted in losses. In sum, of the \$506,000 invested by the four pool participants, defendant CILLI only traded approximately \$263,000, and he lost approximately \$200,168. At the same time, defendant CILLI never disclosed to the pool participants that he had traded less than half of their money or that most of his trading had resulted in significant losses. Defendant CILLI also misappropriated thousands of dollars in pool funds for personal expenses, including hair salon visits, skin care treatments, payments on his Harley Davidson, and other personal entertainment, meals, and travel expenses.

The Fraudulent Scheme

3. In or about August 2006, defendant CILLI registered PIF as a CPO with the CFTC and the NFA. In or about the same time, defendant CILLI formed PMFF as a commodity pool with PIF acting as the pool's CPO.

4. From in or about November 2006 through in or about July 2007, defendant CILLI solicited at least four individuals to become pool participants with a direct financial interest in PMFF. Each of these individuals wrote a check directly payable to PMFF for their respective

investments or, pursuant to defendant CILLI's instructions, wired their funds directly into PMFF's bank account. The pool participants invested a total of approximately \$506,000 in PMFF. Defendant CILLI, as the owner and president of PIF, had sole trading authority over the PMFF account, which remained open until approximately February 2009.

5. From in or about January 2007 through in or about September 2007, the nine months during which defendant CILLI actively traded PMFF's account, defendant CILLI traded approximately \$263,000 out of the \$506,000 that the pool participants invested in PMFF, and had net trading losses of approximately \$200,168.

6. Defendant CILLI never disclosed to the PMFF pool participants that he had traded only about half of their invested funds or that most of his trading resulted in net losses, although defendant CILLI, as the sole owner and president of PIF, was required by CFTC regulations to maintain and send quarterly net asset value statements and annual reports to the pool participants. In the statements and other documents, Defendant CILLI falsely stated to the pool participants that PMFF had made money.

7. Between in or about January and September 2007, defendant CILLI sent at least one pool participant false periodic statements claiming that the pool had made money, when in fact, the pool had lost money trading. These false periodic statements showed profits ranging from approximately 0.675 % to 7.8%.

8. On or about April 6, 2007, defendant CILLI sent an email to another pool participant falsely claiming a 7.16% gain for March 2007 or "\$7,160 additional profit." On or about July 11, 2007, defendant CILLI sent another email to this pool participant attaching a fraudulent June 2007 monthly statement that falsely showed 1.624% profit on a \$200,000 investment. On or about August 13, 2007, defendant CILLI sent an email to this pool participant attaching a fraudulent July 2007 monthly statement that falsely showed 1.484% profit on a \$200,000 investment.

9. Defendant CILLI also issued false 1099s for 2007 to at least two pool participants, which showed profits on their investments. These 1099s were false because in 2007, PMFF had net losses in its trading account. For example, one pool participant received a fraudulent 1099 which showed a profit of \$22,619 when, in fact, her investment had lost money in 2007. Specifically, the 1099-B (proceeds from broker transactions) issued for PMFF's trading account shows approximately \$200,168 in net trading losses for 2007.

10. Defendant CILLI's representations regarding profits in the pool were false because the pool's trading account resulted in net losses for the life of the trading account. In fact, out of the approximately nine months that defendant CILLI actively traded the pool's account, only two months had a net profit and seven months had a net loss.

11. Defendant CILLI also transferred thousands of dollars out of the PMFF bank account, which he then used, in part, to pay for personal expenses, including hair salon visits,

skin care treatments, payments on his Harley Davidson, and other entertainment, meals, and travel expenses.

12. Finally, in order to convince pool participants that these profit statements were true, defendant CILLI returned some funds back to the pool participants in a manner known as a Ponzi scheme. Specifically, these payments were not from actual trading profits but were instead from funds of existing pool participants.

CONSPIRACY TO COMMIT BANK FRAUD

Introduction

13. From at least as early as approximately late 2002, through in or about September 2006, defendant CILLI and approximately sixteen others (collectively "the Coconspirators") conspired to defraud KeyBank of more than \$1.5 million by falsely representing to KeyBank that the Coconspirators would attend Tab and use the proceeds of student loans that they obtained from KeyBank for educational expenses at Tab. Instead, unbeknownst to KeyBank, and based upon prior agreements between defendant CILLI and the Coconspirators, the Coconspirators had no intention to, and never did, enroll in or attend Tab, and defendant CILLI and the Coconspirators had no intention to repay the principal or interest on the loans to KeyBank. Rather, after KeyBank disbursed the loan proceeds to Tab, approximately \$600,000 of the loan proceeds were deposited into bank accounts solely owned and operated by defendant CILLI. Defendant CILLI then made kick-back payments totaling approximately \$130,000 to the Coconspirators for signing up for the loans. And Tab retained approximately \$900,000 of the loan proceeds. KeyBank has, to date, never been repaid any of the principal or accrued interest on the loans.

The Fraudulent Scheme

14. From in or about late 2002 through in or about early 2004, defendant CILLI and others told the sixteen Coconspirators, almost all of whom resided in New Jersey, about an opportunity to obtain a student loan in the amount of approximately \$100,000 from KeyBank. Defendant CILLI and others explained to the Coconspirators that, while the terms of the loan required them to use the loan proceeds for educational expenses at Tab, the Coconspirators did not have to, nor would they ever, attend Tab. Instead, defendant CILLI and the Coconspirators agreed that, if the Coconspirators signed up for the loan, defendant CILLI would either pay them an agreed-upon amount for doing so or enable them to invest the loan proceeds with defendant CILLI. They also agreed that the Coconspirators would not have to repay the principal or any interest on the loans to KeyBank.

15. As one example, in furtherance of the conspiracy, defendant CILLI and CC-1 defrauded KeyBank of approximately \$99,999 as follows:

(a) In or about late 2002 to early 2003, defendant CILLI, who was a friend of CC-1, told CC-1 about an opportunity to obtain a student loan in the amount of approximately \$100,000 from KeyBank. Defendant CILLI and CC-1 knew that the terms of the loan required CC-1 to attend Tab. CC-1, however, never intended to attend Tab, and defendant CILLI knew that CC-1 never intended to attend Tab. Instead, defendant CILLI and CC-1 agreed that, if CC-1 signed up for the loan, defendant CILLI would pay him approximately \$20,000 after the loan was approved, and CC-1 would never have to repay to KeyBank the principal or any accrued interest on the loan.

(b) On or about July 23, 2003, in or near Livingston, New Jersey, CC-1 executed a Master Student Loan Promissory Note (the "Loan Note") with KeyBank. The Loan Note that CC-1 signed falsely represented that CC-1 (1) "promises to pay to [KeyBank's] order . . . all principal sums disbursed under the terms of this Note and, in addition, any interest on such principal sums," and (2) "will use the proceeds of any Loan subject to the terms of this Note only for my educational expenses (i) at an eligible institution or (ii) relating to the Loan Program" (emphasis added).

(c) On or about July 30, 2003, based on the materially false pretenses, representations, and promises made by CC-1, pursuant to defendant CILLI's instructions, KeyBank disbursed approximately \$99,999 to Tab.

(d) From on or about May 4, 2004 through on or about March 23, 2005, defendant CILLI wrote six checks for a total of approximately \$35,000 to CC-1 from defendant CILLI's UCA and personal bank accounts.

(e) On or about November 15, 2004, Tab issued a check to CC-1 in the amount of approximately \$80,525. On or about December 13, 2004, this check was deposited into defendant CILLI's NFT bank account.

(f) On or about September 19, 2006, again pursuant to defendant CILLI's instructions, CC-1, the Borrower, executed a Settlement and Release Agreement (the "Agreement") with KeyBank. In the Agreement, CC-1 stated that he had enrolled in Tab, paid tuition via the loan from KeyBank to Tab, but ultimately decided not to attend Tab and his tuition money was not returned to KeyBank. Based on these and other material misrepresentations, KeyBank forgave CC-1's loan in its entirety.

(g) At no time from in or about July 2003 to the present did CC-1 intend to attend, or enroll in, Tab, nor did defendant CILLI, CC-1, or Tab repay any portion of the loan or the accrued interest to KeyBank.

16. As another example, in furtherance of the conspiracy, defendant CILLI and CC-2 defrauded KeyBank of approximately \$99,999 as follows:

(a) In or about the fall of 2002, defendant CILLI, who was an acquaintance of CC-2, told CC-2 about an opportunity to obtain a student loan in the amount of approximately \$100,000 from KeyBank. Defendant CILLI and CC-2 knew that the terms of the loan required CC-2 to attend Tab. CC-2, however, never intended to attend Tab, and defendant CILLI knew that CC-2 never intended to attend Tab. Instead, defendant CILLI and CC-2 agreed that, if CC-2 signed up for the loan, defendant CILLI would pay her approximately \$1,000 per month after the loan was approved, and CC-2 would never have to repay the principal or any accrued interest on the loan to KeyBank.

(b) On or about November 15, 2003, in or near Hackensack, New Jersey, CC-2 executed a Loan Note with KeyBank. The Loan Note that CC-2 signed falsely represented that CC-2 (1) "promises to pay to [KeyBank's] order . . . all principal sums disbursed under the terms of this Note and, in addition, any interest on such principal sums," and (2) "will use the proceeds of any Loan subject to the terms of this Note only for my educational expenses (i) at an eligible institution or (ii) relating to the Loan Program" (emphasis added).

(c) On or about November 20, 2003, based on the materially false pretenses, representations, and promises made by CC-2, pursuant to defendant CILLI's instructions, KeyBank disbursed approximately \$99,999 to Tab.

(d) On or about January 26, 2004, Tab transferred approximately \$30,000 to defendant CILLI's personal bank account, in reference to CC-2. On or about March 1, 2004, Tab issued a check to CC-2 in the amount of approximately \$30,000. On or about March 3, 2004, this check was deposited into defendant CILLI's UCA bank account. On or about April 1, 2004, Tab issued another check to CC-2 in the amount of approximately \$29,990. On or about April 7, 2004, this check was also deposited into defendant CILLI's UCA bank account. Accordingly, Tab transferred approximately \$90,000 directly or through CC-2 to defendant CILLI.

(e) From in or about December 2003 through in or about March 2006, defendant CILLI wrote twenty-one checks to CC-2 from his UCA bank account and from another personal bank account. Each check was in the amount of \$1,000, for a total of approximately \$21,000.

(f) On or about October 2, 2006, again pursuant to defendant CILLI's instructions, CC-2, the Borrower, executed a Settlement and Release Agreement (the "Agreement") with KeyBank. In the Agreement, CC-2 stated that she had enrolled in Tab, paid tuition via the loan from KeyBank to Tab, but ultimately decided not to attend Tab and her tuition money was not returned to KeyBank. Based on these and other material misrepresentations, KeyBank forgave CC-2's loan in its entirety.

(g) At no time from in or about November 2003 to the present did CC-2 intend to attend, or enroll in, Tab, nor did defendant CILLI, CC-2, or Tab repay any portion of the loan or the accrued interest to KeyBank.

17. As a third example, in furtherance of the conspiracy, defendant CILLI and Coconspirator #3 ("CC-3") defrauded KeyBank of approximately \$99,999 as follows:

(a) In or about the latter part of 2003, defendant CILLI, who was a friend of CC-3, told CC-3 about an opportunity to obtain a student loan in the amount of approximately \$100,000 from KeyBank. Defendant CILLI and CC-3 knew that the terms of the loan required CC-3 to attend Tab. CC-3, however, never intended to attend Tab, and defendant CILLI knew that CC-3 never intended to attend Tab. Instead, defendant CILLI and CC-3 agreed that, if CC-3 signed up for the loan, CC-3 would use the loan proceeds to invest with defendant CILLI, and CC-3 would never have to repay to KeyBank the principal or any accrued interest on the loan.

(b) On or about November 24, 2003, in or near Closter, New Jersey, CC-3 executed a Loan Note with KeyBank. The Loan Note that CC-3 signed falsely represented that CC-3 (1) "promises to pay to [KeyBank's] order . . . all principal sums disbursed under the terms of this Note and, in addition, any interest on such principal sums," and (2) "will use the proceeds of any Loan subject to the terms of this Note only for my educational expenses (i) at an eligible institution or (ii) relating to the Loan Program" (emphasis added).

(c) On or about December 26, 2003, based on the materially false pretenses, representations, and promises made by CC-3, pursuant to defendant CILLI's instructions, KeyBank disbursed approximately \$99,999 to Tab.

(d) On or about August 2, 2004, Tab issued two checks payable to "Tirado, Jason and NE Flight Training," in the amounts of approximately \$16,083 and \$2,000. On or about September 2, 2004, the two checks were deposited into defendant CILLI's NFT bank account.

(e) On or about September 29, 2006, again pursuant to defendant CILLI's instructions, CC-3, the Borrower, executed a Settlement and Release Agreement (the "Agreement") with KeyBank. In the Agreement, CC-3 stated that he had enrolled in Tab, paid tuition via the loan from KeyBank to Tab, but ultimately decided not to attend Tab and his tuition money was not returned to KeyBank. Based on these and other material misrepresentations, KeyBank forgave CC-3's loan in its entirety.

(f) At no time during the time period from in or about December 2003 to the present did CC-3 intend to attend, or enroll in, Tab, nor did defendant CILLI, CC-3, or Tab repay any portion of the loan or accrued interest to KeyBank.

18. As a result of the student loan fraud, defendant CILLI and the Coconspirators caused KeyBank to disburse more than \$1.5 million in 16 loans to be used for the educational expenses

of the Coconspirators at Tab, although none of the Coconspirators ever enrolled in, or attended, Tab.

19. Instead, of the more than \$1.5 million in loans that KeyBank disbursed to Tab as a result of the material misrepresentations made by the Coconspirators, pursuant to defendant CILLI's instructions: defendant CILLI caused approximately \$600,000 to be deposited into bank accounts that he alone owned and operated; defendant CILLI kicked back approximately \$130,000 to the Coconspirators; and Tab retained approximately \$900,000 of the fraudulent loan proceeds. KeyBank has, to date, never been repaid any of the principal or accrued interest on the loans.

FIRST FORFEITURE ALLEGATION

20. The allegations contained in paragraphs 1 through 19 of this Complaint are incorporated by reference as though set forth in full herein for the purpose of noticing forfeitures pursuant to Title 18, United States Code, Section 981(a)(1)(c), and Title 28, United States Code, Section 2461.

21. The United States hereby gives notice to defendant CILLI that, upon conviction of the offenses charged in the Complaint, the government will seek forfeiture, in accordance with Title 18, United States Code, Section 981(a)(1)(c), and Title 28, United States Code, Section 2461, of any and all property, real or personal, that constitutes or is derived from proceeds traceable to the violations of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Sections 240.10b-5 and 240.10b5-2, and Title 18, United States Code, Section 2, alleged in Count 1 of this Complaint.

SECOND FORFEITURE ALLEGATION

22. The allegations contained in paragraphs 1 through 19 of this Complaint are incorporated by reference as though set forth in full herein for the purpose of noticing forfeitures pursuant to Title 18, United States Code, Section 982.

23. The United States hereby gives notice to defendant CILLI that, upon conviction of the offenses charged in the Complaint, the government will seek forfeiture, in accordance with Title 18, United States Code, Section 982(a)(2), of any property constituting, or derived from, proceeds that defendant CILLI obtained directly or indirectly, as the result of such violations.